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### **EEC – COMECON**

### **Alternative Institutional Arrangements of Reciprocal Economic Relations**

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PERSPECTIVES OF DEVELOPMENT OF RECIPROCAL ECONOMIC RELATIONS  
BETWEEN THE EEC AND SOCIALIST COUNTRIES

Assessment of Alternative Institutional Arrangements<sup>1</sup>

The continuation of the integration process of the EEC and "exterior" activities of the Community inevitably induce the European Centrally Planned Economies (CPEs) to actively undertake complex adaptive actions. It is impossible to successfully accomplish them within the existing framework of institutional arrangements pertaining to the East-West (EEC-Comecon) trade.

The autonomous trade policy that has been practiced by the EEC towards the CPEs since 1975 has been characterized by the unilateral establishment of quotas applicable to imports from CPEs in place of regulations that used to be bilaterally agreed upon before 1975. The quotas are essentially inconvenient from the point of view of the CPEs because they are barriers that act ex ante (and not ex post, i.e. after having previously caused losses to domestic producers). In this sense they are a type of barriers which opposite to "voluntary" export restraints, more radically, to a larger extent and in an unjustified way restrain the exports of the CPEs. These restraints, consequently, hamper structural adjustments that would follow the existing (evolving) composition of comparative advantages on an international scale. The use of unilaterally applied (and maintained) quotas and not "voluntary export restraints" (VER) is disadvantageous for the CPEs since they are of a permanent character (they have actually existed since the end of World War II) and do not allow for a certain commonly agreed annual growth of the restricted imports<sup>2</sup> (although they may be gradually liberalized).

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<sup>2</sup> The opposing of the VER to unilaterally introduced quotas does not mean, of course, that the VERs are a positive element contributing to the development of trade exchange. It is only to say that they are a lesser evil than the unilaterally applied quotas.

The trade barriers that are a result of the autonomous trade policy of the EEC towards the CPEs cannot be overcome by CPEs via the conclusion of industrial cooperation agreements with individual member countries of the EEC, since these agreements contribute to a very small share of mutual trade exchange. They can only fractionally and partly be overcome by the conclusion of sectorial agreements in such branches as e.g. the iron and steel or textile industries. Owing to these agreements it is possible to attain only slightly less restrictive conditions for the exports to the EEC market than it would be possible without them.

The autonomous policy of the EEC towards the CPEs (a state of relations without any agreement) is also characterized by the Community practice to grant most-favoured-nation (MFN) treatment in tariffs to all CPEs whether members of GATT or not, so that the same tariff applies de facto to the Soviet Union and Poland as it does to the United States or Japan. On the other hand, one should point out that developing countries and a number of developed capitalist countries do enjoy a preferential treatment in tariffs to a higher or lesser degree.

Thus the only real possibility that could increase the chance of an export expansion of third countries to the EEC market in the group of goods "restrained" by tariffs is to seek means of attaining preferential access to the EC market.

#### 1. Alternative Institutional Arrangements of the EEC-CPEs Trade and Their Assessment

Taking the problem into consideration one may generally imagine a number of alternatives to the institutional framework of the EEC-Comecon (separate countries of the Comecon) relations. For the purpose of orderly analysis, they can be reduced, it seems, to the following:

- a. continued existence of a non-agreement state in the EEC-Comecon (countries of Comecon), relations as well as continued application of sectorial agreements concerning trade in selected goods;
- b. conclusion of non-preferential trade agreements;
- c. conclusion of preferential agreements, which, owing to the GATT principles, should have the form of a free trade area in industrial articles.

The continuation of the status-quo, i.e. continuation of a non-agreement state of relations (autonomous trade policy of the EEC towards the CPEs) naturally does not introduce anything new into the EEC-Comecon relations. Let us consider, then, both alternatives, i.e. the merits and weaknesses of the possible conclusion of preferential trade agreements with the EEC and compare them with the benefits and weaknesses of conclusion of a non-preferential agreement.

First of all, conclusion of a complex agreement that regulates the problem of access to the EEC markets (be it preferential or of a non-preferential character) implies a certain political cost: the necessity for individual CPEs and for the group as a whole to recognize the EEC. This cost, however, does not seem to be too great if one considers current economic and political relations, e.g. EEC attitude in relation to the question of carrying on trade relations with the countries of different socio-political and economic systems (that is a fairly, "apolitical" attitude), and a gradual and segmental acknowledgment of EEC competence by the Comecon countries. This is expressed, among others, in the conclusion of sectorial agreements with the EEC and in the recognition of the Community as a party of many conventions and international agreements elaborated within the framework of the Economic Commission for Europe - where CPEs and the Comecon as a whole participate.

Taking the second alternative into consideration one cannot assume on the basis of the Romanian experience that a non-preferential trade agreement EEC-individual, CPE or EEC-Comecon might finally bring about anything more than a fragmentary and gradual decrease of the application of quotas on the part of the EEC or their replacement by "voluntary" exports restraints (VER).

In such a case the real reciprocity of concessions in the realm of economics would not be essentially required on the CPEs part and the EEC would most likely be content with general commitments in the question of nondiscrimination of its trade and/or a certain kind of political concessions, e.g. factual acknowledgement of its competence by the very fact of conclusion of an agreement. In general, however, economic benefits derived from the conclusion of such an agreement would not be too great for either party. That is why it is worthwhile to consider the third possibility.

## 2. Benefits from the Conclusion of a Preferential Agreement—Assessment of Alternative Solutions

In the case of the conclusion of a preferential agreement liberalizing the access to the EEC market, one may presume considerably greater benefits from the trade and a meaningful improvement of the level of international specialization of production

As several possible solutions may be considered, we shall discuss this alternative more extensively both assuming the invariability of the import systems of CPEs (excluding Hungary), as well as assuming changes of the role of customs tariffs in the import systems of those countries.

One should first of all consider:

- benefits from eventual liberalization of trade processes,
- their feasibility in the sense of the possibility to grant reciprocal trade concessions by the socialist countries,
- their feasibility in the context of the general state of East-West and EEC-Comecon political relations.

The balance of benefits of the liberalization of trade and costs of adjustments to the liberalized trade, without doubt determine to a large degree the range and depth of the liberalization, the composition of the member countries inclined to take up liberalization activities as well as the pace of the libera-

lization of trade processes. This balance changes depending on the fact whether the liberalization is of a unilateral, reciprocal or a multilateral character. Because of the possibility to decrease the costs of adjustments to the liberalization and to increase the benefits of the liberalization for a given country, one may say that the preferred form is the liberalization based on the principle of reciprocity and not a unilateral one.

One may also infer from this that the "deeper" (more radical) the liberalization of trade is to be the more reciprocal a character it must have<sup>3</sup>. Therefore if the CPEs intend to attain a considerably increased "openness" of the EEC market for their exports they must offer a comparatively large "openness" of their own market in the form of substantial reduction for the Community's export. The reductions should be such that the increase of import caused by the liberalization would be approximately equal to the growth of exports brought about by the same process.

Anticipation of such a requirement of eventual liberalization arrangements with the EEC is also the result of a detailed analysis of the logic and contemporary regional and universal principles of the liberalization of trade processes realized within the GATT and the UNCTAD.

This analysis indicates that the attainment of advantages in the form of a unilateral liberalization of trade is possible only in the case of countries which have been granted the status of a developing country. The unilateral "opening" of a market for exports of those countries is considered a development aid. A liberalization obligation of that kind does not give the developing countries the possibility to exercise an economic pressure on the range and depth of liberalization and, apart from that, is of a temporary character. Because of the above consideration, the requirement to reciprocate trade concessions of the EEC by the CPEs seems to be unavoidable<sup>4</sup>.

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<sup>3</sup> See page 8.

<sup>4</sup> The economic justification of this relationship is very simple - it is based on the fact that usually greater reductions of trade barriers bring about a greater effect in the shape of an increased inflow of import that eliminates a greater amount of domestic production and the productive potential of a given country. The deflationary effect of a unilateral liberalization of trade is balanced by the increasing amount of exports. The widening of export possibilities based on a more facilitated access to foreign markets is the result of

The argument that since the CPEs of Eastern Europe are large scale borrowers of loans contracted in capitalist countries assigned for imports from those countries, the requirement of reciprocity in the liberalization agreements to be concluded is not indispensable, should also be discarded. In this case the EEC and some other capitalist countries are of the opinion that if CPEs owing to political reasons should not be particularly discriminated in trade, they should however repay their loans by exporting to the group of countries on the base of MFN treatment. Granting unilateral trade preferences to them would be an unjustified improvement of their terms of trade, i.e. a conscious acceptance of a transfer of a part of the GDP in favour of those countries. This would be, therefore, an institutional arrangement providing a development aid which is more needed by developing countries much poorer than the CPEs. For the above reasons, the conclusion of a liberalization agreement with no reciprocity clauses does not seem to be possible.

As regards the general economic benefits flowing from the conclusion of a reciprocally preferential agreement or agreements between the EEC and CPEs, they are greater than in the case of any other solution intended to decrease the protection of the EEC market and to increase the competitiveness of the CPEs exports to that market. It is obvious that more benefits will be available when they are introduced than in a situation when no general agreement is concluded, i.e. when a non-agreement state is maintained. They will also be greater in comparison with the situation of conclusion of a non-preferential agreement because they may bring about only a slight liberalization of import quotas that would not undermine the rights of other countries enjoying the MFN treatment in tariffs.

The economic costs of a reciprocal liberalization of trade for the CPEs could in turn be considerably limited. This argument is based, first of all, on the fact that there is a definite complementarity of the EEC and Comecon production structures<sup>5</sup>. Moreover the CPEs for characteristics of their economic systems have the possibility of autonomous creation of highly efficient and effective potential in up-to-date and advanced branches of industry. They

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reciprocally attained trade concessions, i.e. the result of reciprocal liberalization.

<sup>5</sup> The costs of adjustment to liberalized trade are lower when the production structures have a complementary character.

may use such measures as internal subsidies (the subsidies do not need to be limited by the concluded agreement). There is also the possibility to introduce some import obligations, adopted to the individual countries' needs, limiting the costs of adjustments, like:

- defining the total degree of the inflow of imports from the EEC,
- or (in the case of introduction and application of effectively performing tariffs and other economic reforms), defining the branch structure of protection and the branch costs of adjustment to trade.

It should be added that because of a lower level of industrial development of CPEs as compared with developed capitalist countries, the costs of adjustment to the more liberalized trade with the EEC would only to a limited extent be expressed in the elimination of the existing productive potential of branches where the EEC has reached a higher level of development. These costs would occur to a higher degree in the form of limitation of chances to develop branches of production of individual kinds of products in which, owing to the intended and deliberate decisions, the comparative advantages used to be acknowledged to exist in other countries.

In more straightforward terms, the benefits from a preferential and reciprocal liberalization of the EEC-CPEs trade would be expressed to the latter in the limitation of the trade diversion effect caused by the establishment of the EEC and the conclusion by it of a number of preferential, unilateral and bilateral trade and economic agreements with many third countries. The conclusion of an adequately "deep" agreement about reduction of tariffs (in the case of the CPEs - about the reduction of tariffs or of the quantitative obligations pertaining to the volume of imports), i.e. of a preferential liberalization agreement would allow to considerably or even totally eliminate the trade diversion effect evoked by the Community in making such agreements. On the other hand, an agreement on the creation of a free trade area in industrial products would lead to the equalization of the CPEs in the question of the access to the EEC market with the level of access that individual countries of the EEC in the area of their own customs union, as well as is the case with West European countries forming the free trade area in industrial products.



Preferential EEC-CPE or a group of CPEs (Comecon) trade agreements would allow to more radically limit the possibility of applying quotas by the EEC towards CPEs as is the case with alternative arrangements. One can support this thesis with the fact that the import quotas for products of countries which have been preferred by the EEC are considerably less restrictive in the question of exports from those countries than from other countries and some have even totally been abolished.

The reciprocity of trade concessions may be considered either with the assumption of:

1. invariability of the import systems of socialist countries, i.e. when the structure and volume of the imports are directly defined by higher echelons of the economic administration, so there is much arbitrariness of decisions pertaining to the volume and structure of imports within the general framework of the pool of assigned financial means;

or with the assumption that:

2. a customs tariff is introduced that meaningfully influences the structure of imports - and that the subject tariff may be gradually liberalized, as the result of negotiated mutual customs concessions.

In the first case, as we have already mentioned, the fact that all export proceeds are either assigned by the CPE's to pay off the indebtedness (the imports have been realized earlier), or to cover the costs of current imports, does not mean that they do not have to, in the opinion of the EEC countries, accept specific additional obligations. The obligations would be a sort of assurance for the countries granting preferences (in our case the EEC countries) that e.g. owing to pecuniary difficulties the CPEs will either not discontinue imports from countries granting them preferences or they will eventually oblige themselves to increase the annual amount of imports from the EEC at a predetermined rate. In case of lack of actively operating customs tariffs, the required reciprocity would have to adopt the form of quantitative obligations (similar to those that some CPEs members of GATT undertook upon acceding to the Agreement). These reciprocal import obligations could adopt the form of definite obligations to increase imports annually by some stated

percentage (like Poland's 7% in GATT), or a nondiscriminatory import guarantee not defining the rate at which the imports would increase. The second sort of obligations has been adopted by Romania in GATT, when that country assured other Contracting Parties (member countries of GATT), that it would import from them at a rate not lower than its planned imports, i.e. imports from countries members of the Comecon.

The adoption of such obligations presents many inconveniences for the CPEs. In both cases this is connected with the difficulty to comply with the obligations in case of the worsening of the market situation, decline in the rate of economic growth and decrease of investments. A solution of this kind does not provide particularly great benefits to the countries being partners of the liberalization arrangements either, because general import obligations do not allow to precisely define preferences in the question of the import structure. They do not, therefore, provide sufficient premises for the producers in capitalist countries to accomplish export investments, because they cannot be sure whether the competitiveness of a given product will be adequately evaluated on the CPEs market. The general quantitative import obligations considerably limit the benefits that can be attained from a more effective allocation of resources by both sides of such liberalized agreements. Although they allow to statistically indicate an increase of trade in a short period of time, i.e. after conclusion of an agreement, it is not tantamount to a permanent increase of effectiveness of allocation of resources on an international scale and of the consolidation of structural trade relations.

The introduction of an effective customs tariff, gradually and selectively liberalized on the principle of reciprocity, could contribute to overcome this limitation and at the same time to increase the influence of imports from the EEC on the production structure of CPEs, i.e. induce a development of an increasingly "proexport" character of their economies. Imports would "purify" the economy from enterprises and branches that are uncompetitive on a international scale and thus would induce more effective utilization of released resources in the export branches. A solution of this kind would not only allow the CPEs to extend their access to the EEC market as a result of the liberalization of quotas on certain products, quite often not taken advantage of. It would also render possible a more extensive access to its market in the range of all the products charged at present with tariffs; it

would also induce realization of long-range investment projects intended to increase exports according to the revealed preferences.

In such a case the CPEs would gain comparative advantages in many branches of production - this would be an authoritative indication of the branches of industry that the CPEs should specialize in.

In the new situation some arbitrariness of choice in the question of decision taking about the direction of export specialization based on the principle of imitation of patterns of economic development and the directions of export development of other countries would disappear. The performance of the whole system could discount many possible allocation advantages in trade, also those resulting from small differences in production costs.

### 3. Proposed Form of a Preferential Agreement

As regards the choice of a definite institutional arrangement of the EEC-CPEs (Comecon) trade liberalization, an agreement based on the principle of reciprocity seems to be the most advantageous. From the above considerations one may conclude that an adoptable arrangement (adoptable because of the GATT principles) is the conclusion of an agreement on the gradual establishment of a free trade area in industrial products between the EEC and individual CPEs or between the EEC and Comecon in the sphere of industrial products<sup>6</sup>.

This would be a solution analogical to the one accepted in relations with the remaining industrialized West European countries, i.e. the free trade area in industrial products of 16 West European countries.

However, bearing in mind the weaker competitive position of the Comecon countries in industry and trade, an agreement of that kind should allow for an adequately long transitory period (10-20 years). One would have to take

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<sup>6</sup> It is not likely that EEC agrees to liberalize access to its common agricultural market.

into consideration the necessity to carry out the proper structural and institutional adjustments of the CPEs (such as changes in their import systems). One would have to consider the fact that a longer period preceding the total abolishment of customs barriers and quotas would allow all partners to avoid comparatively high costs of adjustments to the liberalized trade resulting from the marked off differences in production structures, in costs of production and initial differences in the degree of protection of domestic producers against imports. (In the case of the CPEs this refers to the state of a certain isolation of domestic producers from the influence of import competition and the influence of international market in general).

The postulate that the final liberalization agreement should lead to an establishment of a free trade area in industrial products implies, of course, that in a short period of time the CPEs would be able to regulate the volume and structure of import inflows by the adoption of relatively protective customs tariffs, high, although not prohibitive at first, and to gradually liberalize them till the moment of their total elimination. Gradual actions of this character and conscious protection of selected "strategic" branches, whose preservation is considered necessary should limit the costs of adjustment to trade and, on the other hand, permit the realization of allocation advantages of trade on a substantially higher scale than at present and to permanently solve the problem of the "proexport" character of their economies. It is worth considering at this moment how in the conditions of changing the instruments affecting imports and the measures to protect domestic producers against imports, replacement of quotas by effective tariffs (thus giving up the possibility of applying part of the usual instruments), the import policy as well as the policy of creation of new production potential (the policy of intentional formation of production structure) of the CPEs may be realized. Attention should first of all be called to the fact that the change of instruments will have minor influence on the total volume of imports which will still be determined mainly by the financial constraints. These constraints will be eased as the access to the EEC market is liberalized.

As regards the possibility of protecting the domestic producers against excessive and "harmful" competition from imports and the counteraction against unfair trade practices, within the gesture of CPEs will remain some safeguards allowed by the GATT general rules. They allow to limit the imports accom-

plished under agreed rules when only an inflow of large quantities causes a rise in losses or a menace of losses for the domestic producers. Moreover, in accordance with the GATT rules, the possibility of raising tariffs or to introduce tariffs and quotas (unilaterally or in an agreed way) will remain within the competence of the CPEs. They will thus be able to counteract against disadvantageous effects of dumping as well as against export and internal subsidies.

The essential means to support the creation of a new effective production potential and a material base intended to deepen the international division of labour and international production and, at the same time, a certain instrument affecting the production structure (apart from the import competition), will be the preservation of legitimacy of internal subsidies. These might include subsidies of research and development projects, investments in new and technologically advanced branches as well, to a lesser degree, temporary subsidies of production and employment in traditional branches menaced by the competition of imports and losing comparative advantages they used to have on the domestic and international markets.

However, internal subsidies would be of a supplementary character in this system, since foreign trade would have a considerable influence on the formation of the structure of production. The increased export possibilities would lead to an increase of the production potential in export branches while the competition of imports would eliminate enterprises and branches that lost their competitive advantage. Structural changes of the economy exhorted by international competition would induce the permanent maintenance of an adequate level of effectiveness that would contribute to the creation of a complex, systematic and lasting solution of the "proexport" character of the economy.

When customs tariffs start to play an active role, a change of the "ex ante" decision-making system in production (a system that essentially eliminates most possible benefits from foreign trade) into an "ex post" one, would be an adaptation of the instruments of trade policy of CPEs to world standards of regulation and tariffs of a greater part of international trade. It would allow to totally discount the benefits from trade and would make the system of operation of international trade of the CPEs much less "political". It means

that arbitrary and often voluntary decisions concerning directions of import and export specialisation not based on an objective economic calculation will be meaningfully curtailed.

Changes of the import systems adopted hitherto by the CPEs (Hungary excluded, since that country has already introduced them) would allow to depart from the archaic system of protectionism similar to the one applied in the capitalist countries during the thirties.

While in the CPEs it did not undergo meaningful evolution, in the industrialized capitalist countries it evolved towards the utilization of highly selective instruments with intentional effects in the field of foreign trade ("intentional versus unintentional protection"); instruments which to a considerable extent allow to actually realize the benefits derived from international trade.

Assessing the possibility of realizing the proposed liberalization agreement between the CPEs and the EEC requires additional considerations of effects of this project for the CPEs, in particular, the consideration whether the current ~~political situation in the East-West relations~~ favours the realization of such an initiative.

As regards the latter problem, it seems that political circumstances favour the conclusion of a liberalization agreement with the EEC. One should remember a fairly unbiased political stand of the EEC adopted in relation to East-West trade problems in the context of frequent political tensions in Afghanistan and Poland and its essentially negative approach to the US proposal of a strategic limitation of trade with the CPEs. In the context of frequent political tensions in the US - Soviet (and US - Polish) relations, the conclusion of an agreement about reciprocal liberalization of trade with the EEC might strengthen the position of West European countries in their relations with the USA and influence the economic policy of the USA towards the CPEs.

It should also be remembered that the creation of a new institutional framework for the East-West trade is an economic imperative for the CPEs. It could prevent stagnation of their trade in the next decade and essentially become an aid in solving their export orientation and indebtedness problem. Moreover, it could counteract deterioration of the CPEs' position in international trade

which is reflected in their decreasing share in that trade. One should add that the establishment of a free trade area in industrial products with the EEC could be paralleled or followed by the establishment of free trade within the Comecon block.

It is worth drawing attention to the fact that more integration within the framework of the Comecon, owing to the intensiveness of the integrational instruments and stimuli applied, could retain priority over the activities of the CPEs in other geographical directions. This is because, similarly as in the EEC, passive actions based on the elimination of obstacles in the intra-Comecon trade are completed by active arrangements, intended to increase the allocation benefits from trade. These arrangements have an effect similar to the one which is achieved via the conscious coordination of industrial policy within the EEC. In the Comecon case, one may enumerate e.g. the commonly carried on or coordinated research and development projects, common investment programmes etc., creating in this way a broader base for an international specialization of production.

It would not, however, be desirable in the authors' opinion, to try to establish a intergrational grouping having the character of a customs union within the Comecon (like the EEC). That is to unify the tariff rates applied by the CPEs to imports from all third countries. An arrangement of this kind would surely affect differentiated economic interests of individual member countries of the Comecon since their industrial structures are differentiated as are differentiated also their development priorities concerning individual industry areas. This doesn't imply, of course, that on the level of the whole integration the grouping of certain Comecon activities should not be coordinated, e.g. the conclusion of liberalization agreements with third countries.

A proposal of this kind implies also a possible arrangement in the context of the suggested mutual liberalization of trade with the EEC. It could adopt the form of a "skeleton" agreement which would express the common standpoint of the CPEs, as regards a final establishment of a free trade zone in industrial products comprising the EEC and the free trade area of Comecon. On the other hand, the detailed conditions of the course of the liberalization of trade process, the transitory structure of the tariff protection, would be defined in the "minute" agreements concluded between the EEC and the individual coun-

tries, members of the Comecon. This would correspond to the differentiated economic interests of individual member countries of Comecon, without undermining the common front of the CPEs. This would also allow the less economically developed countries of Comecon to meet their obligations to establish a free trade area with the EEC during longer transitory periods of time.

Of course, there are more possibilities of detailed solutions in this respect although the very necessity to individualize the agreements with the EEC in the case of individual CPEs seems to be indispensable and lies in the interest of the individual countries as well as the Comecon grouping as a whole. It is difficult to imagine a situation where the adoption of such a (or a similar) solution would weaken the bargaining position of the Comecon countries. The final liberalization agreement would have the form of a mutual elimination of tariffs on industrial products, therefore it would eliminate the possibility of granting various trade concessions by individual CPEs. This would not lead to a competition in granting trade concessions by individual Comecon countries in exchange for a partial (and not a full) increase of access to the EEC market. The argument about the worsening of the bargaining strength of the CPEs in trade agreements with the EEC is, however, justified in the case of individual conclusion of formally preferential agreements and in the case of a partially differentiated one in the geographical composition of trade liberalization (customs duties).

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It should finally be noted here, that the decision concerning the eventual establishment of a free trade area in industrial products, comprising the EEC and CPEs and the establishment of a free trade area of the Comecon countries, would remove the dilemma about the scope and subject of the so-called skeleton EEC-Comecon agreement, as well as about individual detailed agreements to be eventually concluded between the EEC and individual Comecon countries. Both kinds of agreements would cover the same subject, i.e. the free trade zones in industrial products, whereas the individual agreements would only specify the length of the transitory period and confirm the stipulations of the skeleton agreement. If this solution were applied, it would be



possible to avoid the following problem: whether the EEC should conclude an agreement on the establishment of the free trade area with the Comecon as a whole or whether the free trade zones in industrial products should be established between, say, the EEC and Czechoslovakia, the EEC and Hungary, the EEC and Poland, because, in any case, the individual member countries of Comecon would be united by a previously established free trade area in industrial products within the Comecon framework.

In this way the suggested arrangement would not only ascertain the economic interests of the EEC and the Comecon (individual CPEs) but would also create a fruitful ground for compromise in the sphere of politics and prestige - when one takes into consideration the impasse caused by the incompatibility of EEC and Comecon proposals concerning reciprocal relations, presented since 1974. In other words, the adoption of the above proposal would permit neither of the two Europea groupings to accumulate the political prestige capital.

Of course, an agreement on the establishment of the EEC-Comecon free trade zone could be supplemented by an agreement covering the questions of freedom of capital transfers, obligations about the general coordination of industrial policies, agreements on the realization of common research and investment projects as well as be connected with certain easing of credits for the East-West trade, particularly if a common fund of export credits was established in the EEC.